

## Message Text

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DEPARTMENT PASS TREASURY AND FRB

E.O. 11652:N/A

TAGS: EFIN, UK

SUBJECT: PRESS REACTIONS TO THE UK BUDGET

BEGIN SUMMARY: THE MAJOR LONDON NEWSPAPERS WELCOMED MR. HEALEY'S DEFLATIONARY BUDGET AS NECESSARY IN AN INFLATIONARY SITUATION AND INEVITABLE. MOST PRESS COMMENT CONGRATULATED HEALEY ON HIS POLITICAL COURAGE AND WORRIED THAT THE MAIN FAULT OF THE BUDGET WAS THAT IT WAS NOT SUFFICIENTLY TOUGH AND WOULD NOT BRING DOWN THE PUBLIC BORROWING REQUIREMENT SUFFICIENTLY. THE PAPERS ALSO WORRIED THAT WORLD TRADE WILL NOT TURN UP VIGOROUSLY IN 1976 AS HEALEY PREDICTED, WHICH MIGHT THEN LEAD HIM TO RECOMMEND IMPORT CONTROLS. END SUMMARY

1. THE THREE QUALITY LONDON NEWSPAPERS STRUCK MUCH THE SAME THEME IN REVIEWING THE BUDGET PRESENTED TO THE HOUSE OF COMMONS BY CHANCELLOR OF THE EXCHEQUER DENIS HEALEY. THE FINANCIAL TIMES (FT) CONGRATULATED HEALEY ON HIS POLITICAL COURAGE AND FOUND THE BUDGET TO BE APPROPRIATE IN THE PRESENT U.K. INFLATIONARY SITUATION. THE FT FOUND THAT THE BUDGET MIGHT NOT HAVE BEEN TOUGH ENOUGH AND WORRIED THAT HEALEY'S OPTIMISM ABOUT THE REVIVAL OF WORLD TRADE IN 1976 WOULD NOT PROVE ACCURATE. THE SIZE OF THE UNCLASSIFIED

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PUBLIC SECTOR BORROWING REQUIREMENT, EVEN THOUGH

RESTRAINED THIS FISCAL YEAR BY TAX INCREASES AND NEXT BY THE REDUCED PUBLIC EXPENDITURE, IS STILL VERY WORRISOME TO THE FT. FT COLUMNIST DAVID WATT OPINED THAT HEALEY HAD TAKEN A CALCULATED POLITICAL GAMBLE BUT THAT IN THE CIRCUMSTANCES HE MIGHT AS WELL HAVE COME IN WITH AN EVEN TOUGHER BUDGET SINCE LOSS OF HIS POLITICAL GAMBLE WILL PROBABLY NOT DEPEND ON DIVISION IN THE LABOR PARTY BUT LONGER TERM NEGATIVE PUBLIC REACTION.

2. THE GUARDIAN CALLED THE TOUGH BUDGET INEVITABLE AND CLAIMED THAT IT WOULD BE IRRESPONSIBLE FOR THE CHANCELLOR TO ATTACK UNEMPLOYMENT AS HIS PRIMARY TARGET WHEN U.K. WAGE INFLATION IS RUNNING 8 TO 9 PERCENT AHEAD OF PRICE INFLATION. ACCORDING TO THE GUARDIAN EDITORIAL, THE TRADE UNIONS BEAR A HEAVY RESPONSIBILITY FOR THIS AND THE "SOCIAL CONTRACT" IS IN DANGER OF EXTINCTION. IT IS A BELT TIGHTENING BUDGET ACCORDING TO THE GUARDIAN WHICH ALSO WORRIES ABOUT THE OPTIMISM OF HEALEY'S FORECAST OF A STRONG RESURGENCE OF WORLD TRADE NEXT YEAR. MR. HEALEY HAS GIVEN THE BRITISH THE OCCASION TO SAVE THEMSELVES, STATES THE GUARDIAN, BUT IF THEY WANT TO CUT THEIR OWN THROATS, NEITHER HE NOR ANYONE ELSE CAN PREVENT IT.

3. THE TIMES FOUND THE BUDGET A STEP IN THE RIGHT DIRECTION. THE PUBLIC SECTOR AND BORROWING REQUIREMENT IS STILL TOO LARGE ACCORDING TO THE TIMES, BUT MR. HEALEY HAS MOVED SOME WAY IN THE RIGHT DIRECTION. THE TIMES WORRIES ABOUT CONTINUED DANGER OF INFLATION EITHER THROUGH UNIONS INCREASING THEIR WAGE DEMANDS OR THROUGH TOO RAPID GROWTH OF MONETARY AGGREGATES RESULTING MAINLY FROM PUBLIC SECTOR BORROWING. HOWEVER, THE TIMES FEELS THAT IN HEALEY THE BRITISH HAVE A CHANCELLOR WHO IS FACING THE CRISIS OF INFLATION WITH FIRMNESS AND DECISION AND WHO DESERVES EQUALLY DETERMINED SUPPORT.

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